

Message Text

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R 240233Z OCT 74
FM SECSTATE WASHDC
TO AMEMBASSY NEW DELHI

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E.O. 11652: N/A
TAGS: EFIN, IN
SUBJECT: INDIAN DEBT RESCHEDULING

REF: STATE 225470, NEW DELHI 13998

1. AGREED LANGUAGE REGARDING INDIA AND NON-CONSORTIUM COUNTRIES WHICH WILL BE INCLUDED IN MEMORANDUM OF UNDERSTANDING FOR CONSORTIUM DEBT AGREEMENT FOLLOWS. ADDITIONS TO ORIGINAL LANGUAGE SUGGESTED BY THE WORLD BANK ARE BRACKETED:

THE GOVERNMENT OF INDIA RECOGNIZED THE NEED TO MOBILIZE ADDITIONAL EXTERNAL ASSISTANCE FROM SOURCES OTHER THAN THE CONSORTIUM. SPECIFICALLY, THE GOVERNMENT OF INDIA WILL SEEK TO REALIZE A SUBSTANTIAL POSITIVE NET TRANSFER OF AID FROM THE TRADITIONAL NON-CONSORTIUM COUNTRIES; WITH RESPECT TO 1974/75, THE GOVERNMENT WILL AIM FOR, (AND ESTIMATES TO RECEIVE) A NET TRANSFER FROM THESE COUNTRIES (IN THE RANGE OF) THE AMOUNT USED IN THE WORLD BANK'S PROJECTION

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OF INDIA'S BALANCE OF PAYMENTS FOR THE YEAR. (IN THIS

CONNECTION THE GOVERNMENT STRESSED THE INDIAN AID AND DEBT RELATIONS WITH THE RUPEE PAYMENT AREA DIFFERED FROM THOSE WITH THE COUNTRIES REPRESENTED IN THE CONSORTIUM AND DID NOT IMPOSE A BALANCE OF PAYMENTS STRAIN ON THE INDIAN ECONOMY. IT REMAINS THE GOVERNMENT'S POLICY TO ACCORD COMPARABLE TREATMENT TO ALL INDIA'S CREDITORS. THE GOVERNMENT OF INDIA WAS MAKING AN EFFORT TO SECURE DEBT RELIEF FROM THE TRADITIONAL NON-CONSORTIUM COUNTRIES.) THE GOVERNMENT WILL ALSO SEEK CONTINUED LIBERALIZATION OF AID AND TRADE WITH SUCH COUNTRIES SO AS TO ASSURE THE PROVISION OF COMMODITIES SUITED TO INDIA'S NEEDS. THE GOVERNMENT OF INDIA WILL ALSO SEEK TO CONTINUE OBTAINING FINANCIAL ASSISTANCE FROM OTHER NON-CONSORTIUM SOURCES. FINALLY, THE GOVERNMENT OF INDIA WILL SEEK TO ACHIEVE A SOFTENING IN THE TERMS OF AID FROM ALL NON-CONSORTIUM COUNTRIES TO MATCH THE QUALITY OF AID BEING PROVIDED BY THE CONSORTIUM.

2. FYI: AT JUNE MEETING AID-TO-INDIA CONSORTIUM WORLD BANK CHAIRMAN STATED BELIEF THAT COMPARABLE ACTION FROM NON-CONSORTIUM DONORS WAS MORE APPROPRIATELY DEALT WITH IN CONTEXT RESOURCE TRANSFER THAN DEBT RELIEF. U.S. ALONE AMONG DONORS IS STRESSING IMPORTANCE COMPARABLE DEBT RELIEF. ORIGINAL BANK LANGUAGE PROPOSED FOR MEMORANDUM OF UNDERSTANDING DID NOT REFER TO DEBT RELIEF. INDIA ALSO WISHED EXCLUDE ISSUE. PRESENT LANGUAGE REGARDING COMPARABLE DEBT RELIEF PROPOSED BY INDIA AS COMPROMISE IN THE FACE OF U.S. REQUEST FOR WHAT WOULD HAVE BEEN STRONGER LANGUAGE. INGERSOLL

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